

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Christina M. Kostink</i>	Printed Name		License Number	

Grosse Pointe Public Library

Financial Report

June 30, 2006

Grosse Pointe Public Library

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Independent Auditor's Report

To the Board of Trustees
Grosse Pointe Public Library

We have audited the accompanying financial statements of Grosse Pointe Public Library, including the Library's individual governmental funds, the Library as a whole, and the budgetary comparison statements, as of and for the year ended June 30, 2006. We did not audit the financial statements of the Grosse Pointe Library Foundation, the discretely presented component unit, which statements reflect total assets of \$1,202,303 as of December 31, 2005 and total revenues of \$210,478 for the year then ended. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grosse Pointe Library Foundation, is based solely on the report of the other auditor. Collectively, these statements comprise the Library's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Grosse Pointe Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based upon our audit and that of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of Grosse Pointe Public Library, including the Library's individual governmental funds, the Library as a whole, the budgetary comparison statements, and the discretely presented component unit as of and for the year ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

The library management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

July 21, 2006



Grosse Pointe Public Library

Library Management's Discussion and Analysis

Using this Annual Financial Report

This annual report consists of two parts:

- Library management's discussion and analysis (MD&A)
- Basic financial statements, audited by Plante & Moran, PLLC

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Library.

Please direct questions regarding this report to:

Vickey Bloom, Library Director
Grosse Pointe Public Library
10 Kercheval Avenue
Grosse Pointe Farms, MI 48236
(313) 343-2074

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

The basic financial statements on pages 6 through 11 include information that presents two different views of the Library using the modified-accrual and full-accrual methods.

The first five columns of the individual fund balance sheet/statement of net assets and the individual funds statement of revenue, expenditures, and changes in fund balance/statement of activities include information about the Library's General Fund, Capital Projects Fund, 2003 Park Capital Projects Fund, 2004 Woods Capital Projects Fund, and Debt Service Fund under the modified-accrual method. The modified-accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the modified-accrual financial statements to the Library as a whole financial statements under the full-accrual method. The full-accrual basis focuses on long-term economic resources.

The Library as a whole column provides both long-term and short-term information about the Library's overall financial status. The Library as a whole statement of net assets - full-accrual basis column and the Library as a whole statement of activities - full-accrual basis column provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These columns tell how these services were financed in the short term, as well as what remains for future spending.

The last column represents the Grosse Pointe Library Foundation, a discretely presented component unit of the Library.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

Condensed Financial Information

The table below shows key financial information under the full-accrual method in a condensed format. Note: Amounts and totals reported are for all Library activities (including general operations, capital projects, and debt activity), to give a complete picture.

TABLE 1

	June 30	
	2006	2005
Assets		
Current assets	\$ 9,456,758	\$ 14,914,820
Capital and other long-term assets	20,107,317	15,342,479
Total assets	29,564,075	30,257,299
Liabilities		
Other liabilities	326,547	1,352,260
Long-term liabilities	18,262,091	18,426,346
Total liabilities	18,588,638	19,778,606
Net Assets		
Investment in capital assets - Net of related debt	2,777,400	3,007,588
Restricted for capital projects	296,078	185,645
Unrestricted	7,901,959	7,285,460
Total net assets	<u>\$ 10,975,437</u>	<u>\$ 10,478,693</u>

	Year Ended June 30	
	2006	2005
Revenue		
Property taxes	\$ 4,422,764	\$ 4,257,657
Other	704,370	556,632
Total revenue	5,127,134	4,814,289
Expenses	4,630,390	5,221,040
Changes in Net Assets	<u>\$ 496,744</u>	<u>\$ (406,751)</u>

The Library as a Whole

The Library's net assets increased by \$496,744 this year. The Library's primary source of revenue (approximately 86 percent) is from property taxes, which fund both the General Fund and the Capital Projects Fund.

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

Salaries and fringe benefits continue to be the largest expense for the Library, which equates to approximately 46 percent of the Library's total expenditures. Health insurance is offered through a cafeteria plan to full-time employees and part-time employees who work 20 or more hours per week. The Library's expenditures increased over the prior year primarily due to increases in temporary library and clerical salaries due to the new Woods branch, seven new positions were created, and bond-related expenditures that are not capitalized but remain expensed for the Library as a whole. The salary/wage schedule received a 3 percent increase.

The Library's Funds

The budgetary analysis of the General Fund is included on pages 10 and 11, which shows the General Fund, the Library's major operating fund, including revenues and expenditures, excess of revenue over expenditures, and fund balance.

As noted above, the largest use of resources during the 2005-2006 fiscal year was for personnel - salaries and wages. This is typical of service organizations that are open to the public seven days a week, year round.

Library's Budgetary Highlights

Over the course of the year, the Library board of trustees amended the General Fund's budget to address unplanned needs and events that occurred during the year. The General Fund amendments addressed increases in library and clerical salaries due to the new Woods branch.

Significant variances in the General Fund's revenues were due to a reduction in state aid and increase in interest rates.

Capital Assets and Long-term Debt Activity

At the end of the fiscal year, the Library had \$19,923,317 invested in land, building, improvements, furniture and equipment, books, and materials, including media based on the historical cost and estimated historical cost basis. During the year, a total of \$1,258,461 was spent to replace furniture and equipment, including computer technology and books. During the year, a total of \$4,263,151 was spent on building and site improvements, which was classified as buildings and improvements at June 30, 2006.

The Library's long-term debt activity consists of capped accumulated compensated employee absences (sick and vacation leave) to be paid to eligible employees upon retirement.

Grosse Pointe Public Library

	Individual Library Funds				
	General Fund	Capital Projects Fund	2003 Park Capital Projects Fund	2004 Woods Capital Projects Fund	Debt Service Fund
Assets					
Cash and cash equivalents (Note 4)	\$ 2,294,406	\$ 5,437,188	\$ 522,214	\$ 922,482	\$ -
Due from General Fund	-	6,084	-	-	-
Receivables:					
Taxes	-	227,648	-	-	-
Contributions	-	-	-	-	-
Fines - Wayne County	52,820	-	-	-	-
Prepaid costs and other (Note 5)	-	-	-	-	-
Capital assets (Note 6)	-	-	-	-	-
Total assets	<u>\$ 2,347,226</u>	<u>\$ 5,670,920</u>	<u>\$ 522,214</u>	<u>\$ 922,482</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 94,535	\$ -
Accrued and other liabilities	62,226	-	-	-	-
Due to Capital Projects Fund	6,084	-	-	-	-
Long-term liabilities (Note 7):					
Due within one year	-	-	-	-	-
Due beyond one year	-	-	-	-	-
Total liabilities	68,310	-	-	94,535	-
Fund Balances - Unreserved					
Designated:					
Capital projects	-	5,670,920	522,214	827,947	-
Development programs	85,226	-	-	-	-
Undesignated	2,193,690	-	-	-	-
Total fund balances	<u>2,278,916</u>	<u>5,670,920</u>	<u>522,214</u>	<u>827,947</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,347,226</u>	<u>\$ 5,670,920</u>	<u>\$ 522,214</u>	<u>\$ 922,482</u>	<u>\$ -</u>
Net Assets					
Invested in capital assets - Net of related debt					
Restricted for capital projects					
Restricted - Other					
Unrestricted					
Total net assets					

Individual Funds Balance Sheet/Statement of Net Assets
June 30, 2006

Total - Modified- accrual Basis	GASB No. 34 Adjustments (Note 2)	Library as a Whole	
		Statement of Net Assets - Full-accrual Basis	Component Unit
\$ 9,176,290	\$ -	\$ 9,176,290	\$ 1,175,644
6,084	(6,084)	-	-
			-
227,648	-	227,648	-
-	-	-	17,228
52,820	-	52,820	-
-	184,000	184,000	4,113
-	19,923,317	19,923,317	5,318
\$ 9,462,842	20,101,233	29,564,075	\$ 1,202,303
\$ 94,535	-	94,535	\$ 201
62,226	169,786	232,012	-
6,084	(6,084)	-	-
-	308,853	308,853	-
-	17,953,238	17,953,238	-
162,845	18,425,793	18,588,638	201
7,021,081	(7,021,081)	-	
85,226	(85,226)	-	
2,193,690	(2,193,690)	-	
9,299,997	(9,299,997)	-	
\$ 9,462,842			
	2,777,400	2,777,400	5,318
	296,078	296,078	-
	-	-	17,228
	7,901,959	7,901,959	1,179,556
	\$ 10,975,437	\$ 10,975,437	\$ 1,202,102

Grosse Pointe Public Library

	Individual Library Funds				
	General Fund	Capital Projects Fund	2003 Park Capital Projects Fund	2004 Woods Capital Projects Fund	Debt Service
Revenue					
Property taxes	\$ 3,359,746	\$ 1,063,018	\$ -	\$ -	\$ -
State sources	85,695	-	-	-	-
Interest	73,650	197,490	25,936	84,498	-
Gifts	20,963	-	-	-	-
Development	81,449	-	-	-	-
Fines, rentals, and other	134,689	-	-	-	-
Total revenue	3,756,192	1,260,508	25,936	84,498	-
Expenditures					
Salaries	1,551,198	-	-	-	-
Employee benefits	551,774	-	-	-	-
Purchased services	732,080	2,360	19,812	120,503	-
Supplies	645,692	-	-	-	-
Capital outlay	29,653	12,654	2,702,048	2,076,162	-
Development programs	69,143	-	-	-	-
Depreciation	-	-	-	-	-
Other	164	-	41,032	37,421	-
Debt service - Principal and interest	-	-	-	-	950,975
Total expenditures	3,579,704	15,014	2,762,892	2,234,086	950,975
Excess of Revenue Over (Under)					
Expenditures	176,488	1,245,494	(2,736,956)	(2,149,588)	(950,975)
Other Financing Sources (Uses)					
Operating transfers in	-	20,004	-	5,952	950,975
Operating transfers out	(20,004)	(956,927)	-	-	-
Total other financing sources (uses)	(20,004)	(936,923)	-	5,952	950,975
Net Changes in Fund Balances/Net Assets	156,484	308,571	(2,736,956)	(2,143,636)	-
Fund Balances/Net Assets - Beginning of year	2,122,432	5,362,349	3,259,170	2,971,583	-
Fund Balances/Net Assets - End of year	<u>\$ 2,278,916</u>	<u>\$ 5,670,920</u>	<u>\$ 522,214</u>	<u>\$ 827,947</u>	<u>\$ -</u>

**Individual Funds Statement of Revenue, Expenditures, and Changes
in Fund Balances/Statement of Activities
Year Ended June 30, 2006**

Library as a Whole

Total - Modified- accrual Basis		GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis		Component Unit
\$	4,422,764	\$ -	\$	4,422,764	\$ -
	85,695	-		85,695	-
	381,574	-		381,574	26,109
	20,963	-		20,963	-
	81,449	-		81,449	-
	<u>134,689</u>	<u>-</u>		<u>134,689</u>	<u>184,369</u>
	5,127,134	-		5,127,134	210,478
	1,551,198	15,745		1,566,943	98,603
	551,774	-		551,774	2,961
	874,755	(304,503)		570,252	29,520
	645,692	(584,332)		61,360	32,992
	4,820,517	(4,816,777)		3,740	-
	69,143	-		69,143	42,628
	-	940,774		940,774	869
	78,617	-		78,617	18,865
	<u>950,975</u>	<u>(163,188)</u>		<u>787,787</u>	<u>-</u>
	<u>9,542,671</u>	<u>(4,912,281)</u>		<u>4,630,390</u>	<u>226,438</u>
	(4,415,537)	4,912,281		496,744	(15,960)
	976,931	(976,931)		-	-
	<u>(976,931)</u>	<u>976,931</u>		<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
	(4,415,537)	4,912,281		496,744	(15,960)
	<u>13,715,534</u>	<u>(3,236,841)</u>		<u>10,478,693</u>	<u>1,218,062</u>
\$	<u>9,299,997</u>	\$ <u>1,675,440</u>	\$	<u>10,975,437</u>	\$ <u>1,202,102</u>

Grosse Pointe Public Library

Budgetary Comparison Statement - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
Property taxes	\$ 3,358,128	\$ 3,358,128	\$ 3,359,746	\$ 1,618
County and state aid	71,000	71,000	85,695	14,695
Interest	13,000	13,000	73,650	60,650
Gifts	-	-	20,963	20,963
Development	74,300	74,300	81,449	7,149
Fines and rentals	90,000	90,000	130,993	40,993
Other	-	-	3,696	3,696
Total revenue	3,606,428	3,606,428	3,756,192	149,764
Expenditures				
Salaries:				
Administration	250,892	245,063	240,914	4,149
Board of trustees	3,780	3,780	1,950	1,830
Librarians	628,004	628,004	607,731	20,273
Support staff	504,107	451,147	451,147	-
Temporary librarian	74,004	74,004	65,307	8,697
Temporary clerical	106,800	107,354	107,354	-
Students	110,000	90,000	76,795	13,205
Total salaries	1,677,587	1,599,352	1,551,198	48,154
Employee benefits:				
Employee benefits	322,050	281,195	275,212	5,983
Retirement	113,355	136,392	136,392	-
Payroll taxes	128,046	128,046	126,744	1,302
Workers' compensation	14,000	14,000	13,230	770
Unemployment compensation	7,500	859	196	663
Total employee benefits	584,951	560,492	551,774	8,718
Purchased services:				
Professional/Management fees	68,625	68,625	62,831	5,794
Legal fees	45,000	34,788	16,152	18,636
Audit fees	9,000	9,000	9,000	-
Library network	6,700	5,298	5,271	27
Staff development	11,000	11,603	11,603	-
Program fees	99,025	99,025	96,889	2,136
Telephone	36,000	36,000	35,600	400
Printing	31,464	39,282	39,281	1
Utilities	100,000	157,090	157,089	1
General liability insurance	21,000	26,212	26,212	-
Repairs and maintenance	125,000	265,285	265,336	(51)
Rent	6,818	6,818	6,816	2
Total purchased services	559,632	759,026	732,080	26,946

Grosse Pointe Public Library

Budgetary Comparison Statement - General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Expenditures (Continued)				
Supplies:				
Audiovisual	\$ 107,143	\$ 107,388	\$ 107,388	\$ -
Micro software	104,730	87,330	84,774	2,556
Library books	291,693	303,808	303,808	-
Periodicals	58,000	58,000	46,120	11,880
Auto expense	2,300	2,300	2,222	78
Building supplies	13,000	18,000	15,642	2,358
Administrative supplies	63,000	73,000	71,179	1,821
Postage	20,000	20,000	13,004	6,996
Memberships	1,050	1,750	1,555	195
Total supplies	660,916	671,576	645,692	25,884
Capital outlay:				
New furniture and equipment	21,688	23,329	23,328	1
Replacement furniture	6,650	6,650	6,325	325
Total capital outlay	28,338	29,979	29,653	326
Development programs:				
Books on the Lake	35,000	35,000	29,225	5,775
Senior symposium	25,000	25,000	16,479	8,521
Development books	25,000	25,000	15,495	9,505
Development tools	1,500	1,500	1,444	56
Strategic planning	20,000	30,000	6,500	23,500
Total development programs	106,500	116,500	69,143	47,357
Other expenses - Tax refunds	700	1,000	164	836
Operating transfers	20,004	20,004	20,004	-
Total expenditures	3,638,628	3,757,929	3,599,708	158,221
Excess of Revenue Over (Under) Expenditures	(32,200)	(151,501)	156,484	307,985
Fund Balance - July 1, 2005	2,122,432	2,122,432	2,122,432	-
Fund Balance - June 30, 2006	<u>\$ 2,090,232</u>	<u>\$ 1,970,931</u>	<u>\$ 2,278,916</u>	<u>\$ 307,985</u>

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The Grosse Pointe Public Library (the "Library") serves the Grosse Pointe communities and a portion of Harper Woods. The accounting policies of the Grosse Pointe Public Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by a seven-member board of trustees and managed by a library director. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

Discretely Presented Component Unit - The following nonmajor component unit is reported within the component unit column in the government-wide financial statements to emphasize that it is legally separate from the Library. Financial statements for the individual component unit are available at the Library's office.

The board of trustees of the Library established a private foundation, the Grosse Pointe Library Foundation (the "Foundation"), to serve as a fund-raising and communication arm on behalf of the Grosse Pointe Public Library. The Foundation is a privately held 501(c)(3) with its own 10-member board of directors. The Foundation solicits and administers funds for capital, endowment, and special projects. The Foundation's governing body consists of seven individuals. During the year, the Foundation conducted various activities on behalf of the Library, including fund raising and donor relating. There are three common board members between the Library and the Foundation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Library as a Whole Financial Statements

The Library as a whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets - net of related debt, restricted net assets, and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the library-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund was established during the fiscal year ended June 30, 1998 through a residual equity transfer from the General Fund. It is used to record the disbursement of monies specifically designated for acquiring new technology and equipment and for major remodeling and repairs. The fund will be retained until the purpose for which the fund was created has been accomplished.

2003 Park Capital Projects Fund - The 2003 Park Capital Projects Fund was established during the fiscal year ended June 30, 2004 through the issuance of general obligation bonds. It is used to record the disbursement of monies specifically designated for acquiring property, constructing, and all related costs associated with the Grosse Pointe Public Library - Carolyn and Ted Ewald Branch.

2004 Woods Capital Projects Fund - The 2004 Woods Capital Projects Fund was established during the current year through the issuance of general obligation bonds. It is used to record the disbursement of monies specifically designated for acquiring property, constructing, and all related costs associated with the Grosse Pointe Public Library - Woods Branch.

Debt Service Fund - The Debt Service Fund was established to make principal and interest payments on the Grosse Pointe Public Library's debt.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value as of June 30, 2006 based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the Library totaled approximately \$3.0 billion, on which ad valorem taxes levied consisted of 1.5 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$4.5 million and are recognized in the General Fund and Capital Projects Fund financial statements as tax revenue.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7-50 years
Furniture and equipment	5-20 years
Library books and audiovisual materials	5-10 years

Compensated Absences (Vacation and Sick Leave) - Through contractual obligations, employees are permitted to accumulate earned but unused sick and vacation pay benefits subject to certain limitations. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2006

Note 2 - Reconciliation of the Library as a Whole and the Individual Funds Financial Statements

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and changes in net assets of the Library as a whole reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and the statements of revenue, expenditures, and change in fund balances. The following is a reconciliation of fund balances to net assets and the net changes in fund balances to the net change in net assets.

Total Fund Balance - Modified-accrual Basis	\$ 9,299,997
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	19,923,317
Other long-term assets are not financial resources and are not reported in the funds	184,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(18,200,000)
Compensated absences	(62,091)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(169,786)</u>
Total Net Assets - Full-accrual Basis	<u>\$ 10,975,437</u>

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2006

Note 2 - Reconciliation of the Library as a Whole and the Individual Funds Financial Statements (Continued)

Net Change in Fund Balances - Modified-accrual Basis \$ (4,415,537)

Amounts reported in the statement of activities are different
because:

Governmental funds report capital outlays as
expenditures in the statement of activities; these
costs are allocated over their estimated useful lives
as depreciation:

Library books and audiovisual materials	584,332
Capitalized capital outlay, net of disposals	4,816,777
Depreciation	(940,774)

Governmental funds report long-term prepaid expenses
as expenditures in the statement of activities; these
costs are allocated over their estimated useful lives
as amortization:

Capitalized prepaid expenses	200,000
Amortization	(16,000)

Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	180,000
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Increase in accrued interest reported as an expenditure in the statement of activities but not in the fund statements	(16,812)
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Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund financial statements	<u>(15,745)</u>
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Change in Net Assets - Full-accrual Basis \$ 376,241

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2006

Note 3 - Budget Information

The annual budget is prepared and adopted by the Library board and subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been budgeted as revenue and expenditures rather than as other financing sources and uses. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget can be found in the basic financial statements.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library does not have any specified financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all items of the state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2006

Note 4 - Deposits and Investments (Continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had approximately \$650,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 8,526,448	AAA	Moody's

Note 5 - Prepaid Costs

The Library has an operating lease with the City of Grosse Pointe Park for the use of parking spaces through March 15, 2030. The Library has prepaid the lease payments for the term of the lease, which amounts to \$200,000. The payments are recorded as an expenditure on a fund-level basis in the General Fund and a long-term asset, amortized over the life of the lease, on a government-wide basis.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2006

Note 6 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 597,530	\$ -	\$ -	\$ 597,530
Construction in progress	10,384,404	4,263,151	(14,647,555)	-
Subtotal	10,981,934	4,263,151	(14,647,555)	597,530
Capital assets being depreciated:				
Buildings and improvements	1,462,249	40,852	14,647,555	16,150,656
Library books	2,515,360	415,670	-	2,931,030
Audiovisual material	1,180,701	168,662	-	1,349,363
Furniture and equipment	2,030,343	633,277	-	2,663,620
Subtotal	7,188,653	1,258,461	14,647,555	23,094,669
Less accumulated depreciation	(2,828,108)	(940,774)	-	(3,768,882)
Net capital assets being depreciated	4,360,545	317,687	14,647,555	19,325,787
Net capital assets	\$ 15,342,479	\$ 4,580,838	\$ -	\$ 19,923,317

Capital assets, including library books and audiovisual materials, are recorded at cost. Depreciation expense was \$940,774 for the year ended June 30, 2006.

Construction Commitments - The Library has an active construction project at year end related to the 2004 Woods capital project. At year end, the Library's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Woods branch	\$ 8,264,806	\$ 94,535

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2006

Note 7 - Long-term Debt

Outstanding Debt

A summary of the debt outstanding of the Library at June 30, 2006 is as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
General obligation bonds:							
2003 building and site							
Amount of issue - \$9,900,000	2.50%-	\$100,000-	\$ 9,800,000	\$ -	\$ 100,000	\$ 9,700,000	\$ 200,000
Maturing through 2028	4.5%	\$700,000					
2004 building and site							
Amount of issue - \$8,580,000	3.00%-	\$100,000-	8,580,000	-	80,000	8,500,000	100,000
Maturing through 2029	4.75%	\$700,000					
Other long-term liabilities -							
Compensated absences	-	-	46,346	15,745	-	62,091	8,853
Total long-term debt and other long-term liabilities			<u>\$ 18,426,346</u>	<u>\$ 15,745</u>	<u>\$ 180,000</u>	<u>\$ 18,262,091</u>	<u>\$ 308,853</u>

The compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn time based on time of service with the Library.

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2006 (excluding employee benefits), including both principal and interest, are as follows:

Years Ending June 30	Principal	Interest	Total
2007	\$ 300,000	\$ 764,700	\$ 1,064,700
2008	400,000	756,700	1,156,700
2009	500,000	744,200	1,244,200
2010	500,000	727,700	1,227,700
2011	500,000	710,200	1,210,200
2012-2016	3,200,000	3,232,375	6,432,375
2017-2021	4,300,000	2,491,575	6,791,575
2022-2026	5,300,000	1,474,575	6,774,575
2027-2029	3,200,000	275,000	3,475,000
Total	<u>\$ 18,200,000</u>	<u>\$ 11,177,025</u>	<u>\$ 29,377,025</u>

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for health, disability, life, workers' compensation, and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past fiscal years.

Note 9 - Pension Plan

Plan Description - Certain Library employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each participating entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash-disbursement basis. The pension benefit rate totals 14.87 percent for the period from July 1, 2005 through September 30, 2005 and 16.34 percent of the covered payroll to the plan for the period from October 1, 2005 through June 30, 2006. Basic plan members make no contributions, but contribute to a Member Investment Plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The Library's contributions to the MPERS plan for the years ended June 30, 2006, 2005, and 2004 were \$80,904, \$70,880, and \$63,149, respectively.

Postemployment Benefits - Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the Library's total contribution to the MPERS plan discussed above.

The Library's 2006 contributions represented less than 1 percent of the total employer contributions.

Note 10 - Defined Contribution Pension Plan

The Library provides pension benefits to all of its union employees and nonunion full-time or part-time (20 hours or more) administrative employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Through contractual obligations, the Library will provide a dollar-for-dollar match of employee contributions (by payroll deduction) up to a maximum payment by the board of 8 percent of base salary of the employee. In accordance with these requirements, the Library contributed \$56,212 and the employees contributed \$131,840 in 2006.